

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	

**COMMENTS
of
MOSS ADAMS LLP**

TABLE OF CONTENTS

INTRODUCTION AND SUMMARY	iii
I. ANALYSIS PERFORMED BY MOSS ADAMS	1
II. FINANCIAL RESULTS AND FINDINGS OF MOSS ADAMS	
NPRM ANALYSIS	4
III. RECOMMENDATIONS.....	9
A. The NPRM Does Not Properly Address the Contribution Base and Methodology as Reasonable Solutions to the Perceived Problem; That Consumers are Paying Too Much For USF	9
B. The Proposed Rules as Drafted in the NPRM Do Not Sufficiently Allow for the Repayment of Existing Debt	10
C. Any Phase Out of Local Switching Support Should be Sufficiently Long to Allow for the Cost Recovery of Embedded Investments Made Under the Current Rules	11
D. A Complete Phase Out of Corporate Operations Expense From USF Oversteps the Stated Goal of Cost Efficiency	12
E. Expense and Capital Benchmarks Are Potential Tools to Increase Efficiency and Reduce the Overall Size of the USF	13
F. The Identical Support Rule as Originally and Currently Implemented Does Not Effectively Target Vital USF Resources Where They Are Needed Most.....	14
IV. CONCLUSION	15
APPENDIX A: SUMMARY OF DATA AND ANALYSIS	18

Introduction and Summary

The Federal Communications Commission's (Commission) *NPRM*¹ in the above-captioned proceeding requests comment on proposed rules intended to modify the existing rules on the Universal Service Fund (USF) and Intercarrier Compensation (ICC).

Moss Adams LLP² submits these comments based on our analysis of the impacts of the NPRM on 44 clients in 21 states throughout the U.S. that, combined, serve 57 study areas encompassing over 277,000 voice access lines. All of these companies provide both voice and broadband services in some of the most rural areas of the country. These study areas range in size from less than 100 voice access lines to more than 37,000 voice access lines, with an average of 4,870. The following characteristics are true of each of these companies:

- Each company is the Carrier of Last Resort designated by the relevant state public utilities commission, which legally obligates the company to provide telecommunications services to all requesting customers within its service territory.
- Each company is the Eligible Telecommunications Carrier determined by the relevant state public utilities commission and/or the FCC to provide universal service within the company's designated service territory.

¹ Connect America Fund, WC Docket No. 10-90, A National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011) (NPRM).

² Moss Adams LLP (Moss Adams) is the 11th largest accounting and consulting firm in the United States, with more than 1,700 staff, including 230 partners. The Moss Adams Telecom Group has served the telecommunications industry since 1957. Today, we provide audit, tax, and consulting services to more than 80 small and mid-sized telecommunications carriers throughout the United States and its territories. The fact that Moss Adams serves primarily rural carriers provides us a unique perspective on the financial ramifications on the impacts of the NPRM on these companies and access to financial data that allow us to perform company specific analyses of the financial impacts.

- Each company receives High Cost Support from the Federal Universal Service Fund, with a combined estimated total of over \$167M for all 57 study areas in 2011. This support comprised over 42% of the 2010 revenues for these study areas. Support came from the following sources:

○ High Cost Loop Support (HCLS)	\$74.4M
○ Safety Net Additive (SNA)	\$ 2.5M
○ Interstate Common Line Support (ICLS)	\$72.1M
○ Local Switching Support (LSS)	\$18.0M

- Each company generates substantial revenues from providing intrastate switched access services. In 2010 intrastate switched access revenues totaled over \$32M for the 57 study areas.
- Each company provides voice and broadband services to schools, libraries, rural health care facilities, governmental agencies, and/or other anchor institutions within its service territory.
- Each company is one of the, if not the, largest employers in its rural service territory, providing jobs and financial stability in some of the most rural and economically depressed areas of the country.
- Each company has deployed substantial financial and human resources to provide voice and broadband services in these rural areas under the existing rate of return rules prescribed by the FCC and, in most cases, by the state public utilities commission. In 2010, these companies combined to have:

○ Regulated rate base	\$761M
○ Long term debt	\$419M
○ Annual debt payments	\$ 78M
○ Net income	\$ 61M

- In 2010 these 57 study areas had financial results that produced the following financial ratios, which are key drivers of the companies' abilities to borrow additional funds and the terms and interest rates under which existing loans must be repaid:
 - Debt service coverage ratio³ 0.79
 - Times interest earned ratio⁴ 4.94
 - Debt/EBITDA ratio⁵ 2.01
- No company would have had the financial resources to deploy and maintain either voice or broadband services without rate of return regulation and or the support of the Universal Service Fund.

In these comments, Moss Adams urges the Commission to reconsider the course of action outlined in the NPRM, which will do significant financial harm to the rural telecommunications carriers that provide universal service in rural America and are best suited to accomplish the goals of the National Broadband Plan in those same areas. Specifically, we believe that the FCC should:

- Expand the base of revenues and contributors to the USF. The presumption that the USF has grown too large is not supported by data and is concluded without analyzing the impact that an expanded contribution base could have on the Federal Universal Service Charge and affordability for end users.
- Avoid any disruptive flash cut proposals that would implement significant revenue reductions over a period that is shorter than carriers' existing debt obligations. Carriers and lenders alike entered into these financing agreements in good faith under the existing rate of return regulation.

³ Debt Service Coverage = Net Operating Income / (Principal + Interest on Long Term Debt)

⁴ Times Interest Earned = (Net Income + Interest on Long Term Debt + Income Tax) / Interest on Long Term Debt

⁵ Debt/EBITDA = Long Term Debt / Earnings Before Interest, Taxes, Depreciation, and Amortization

- Continue to provide support for the high cost of local switching via LSS. If the FCC elects not to continue LSS, it should at least extend the phase out of LSS beyond three years, or combine it with existing HCLS to allow for the recovery of high local switching costs in rural areas relative to more urban areas.
- Continue to allow for the recovery of Corporate Operations Expense through the USF. These expenses are not substantially discretionary and are driven by the need for executives and administrative staff to set the strategic, financial, and regulatory direction for the company. Additionally, many of these costs are attributable to federal and state regulations.
- Analyze rural telecommunications carrier costs to determine appropriate cost benchmarks that could be used to accomplish stated efficiency goals, rather than phasing out cost recovery for all carriers regardless of their current costs and levels of efficiency. While benchmarks require stratification to sufficiently encompass the unique characteristics of many carriers and to recognize that investment is not always consistent from one year to the next⁶, they could be a useful tool to reduce the overall size of the fund while establishing cost targets that rural carriers can manage to. A waiver process could be implemented to address issues for those carriers who fall outside of any prescribed benchmarks due to unique situations.
- Eliminate the Identical Support Rule and replace it with a support mechanism that is based on the Competitive Eligible Telecommunications Carrier's (CETC) actual costs. We believe that wireless service is complementary to wireline service in rural America and may require support funding in some areas to ensure that these areas have access to both wireline and wireless service.

⁶ Annual investment can vary significantly based on customer demand and the need to upgrade the network for new technologies. Any benchmarks established would need to recognize these fluctuations in investment and allow for varied investment from year to year or multi-year averages.

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I. Analysis Performed by Moss Adams

In order to provide relevant and reliable financial context to the FCC in these comments, Moss Adams undertook an extensive data gathering and analysis process for each of the 57 study areas.⁷ Our analysis primarily focused on the impacts of the proposed rules identified in Appendices A-C of the NPRM, which outline short term modifications to Universal Service Funding. We also analyzed the potential impacts of shifting intrastate access rates to an average

⁷ The data and analysis are included as Appendix A – Summary of Data and Analysis, to these comments.

interstate switched access rate⁸ or \$0.0007. This analysis was performed using each company's recently submitted 2011 National Exchange Carrier Association (NECA) cost study forecast, which is utilized by NECA in establishing tariff rates for its annual access tariff filing with the FCC, and other information generally available from the company as the basis. The following assumptions were used in our analysis of the impacts of these proposed changes on USF support and intercarrier compensation:

- 2011 forecasted support was held constant, prior to NPRM impacts, for the 4 year analysis (2011 – 2014)⁹. Given the uncertainty in regulation and drastic reductions in USF support proposed in the NPRM, it is difficult to forecast how companies will react related to capital and operating expenses, and how the associated National Average Cost Per Loop will fluctuate as a result.
- All proposed changes to the calculation of High Cost Support were analyzed for each company on an individual and aggregate basis. For example, for High Cost Loop Support, we individually calculated the impacts of the phase out of Corporate Operations Expense and the reduction in support from 65% and 75% to 55% and 65%, and then calculated the combined impacts of these proposals.
- For ICLS we performed a standalone analysis of the impacts of phasing out Corporate Operations Expense without considering the impact that changes to LSS have on the calculation of ICLS.¹⁰ In addition, we performed an analysis that included both the

⁸ The interstate switched access for each company varies based on participation in the National Exchange Carrier Association (NECA) FCC Tariff No. 5, NECA rate band, and transport miles and billing percentages included in the calculation of the composite rate. These composite switched access rates range from \$0.010598 to \$0.099349 per minute of use.

⁹ HCLS, ICLS and LSS were analyzed over the prescribed 3 year transition period, but SNA was analyzed over the prescribed 4 year phase out.

¹⁰ Part 69.306(d)(2) of the FCC's rules requires a shift of the local switching revenue requirement (typically 30%), after the local switching revenue requirement has been reduced for LSS, to the common line revenue requirement. As a result, reductions in LSS will increase the local switching revenue requirement. This increased local switching revenue requirement is then shifted (30%) to the common line revenue requirement. The increase in the common line revenue requirement increases the amount of ICLS necessary to recover the common line revenue requirement.

impacts of phasing out Corporate Operations Expense and the impacts of changes to LSS on ICLS.

- Intrastate switched access minutes of use were held constant at their 2010 levels. While access minutes have been steadily declining, it was assumed that minutes will stabilize if the switched access rates decline to a composite interstate rate for each company or \$0.0007, and these savings are passed on to consumers by interexchange carriers.
- Voice access lines were held constant over the life of the analysis. While rural carriers have consistently lost access lines over the past several years, it is difficult to forecast the level of continuing decline. Maintaining consistency is a conservative approach, which may actually understate the overall negative financial impacts of the NPRM over the life of our analysis.
- Beyond intrastate switched access, all intrastate revenues were held constant over the life of the analysis. This includes local service revenue, special access, and state universal service funding. Again, given the consistent annual losses in voice access lines, maintaining consistency is a conservative approach which may actually understate the overall negative financial impacts of the NPRM over the life of our analysis.

Using a wide variety of data and the assumptions identified above, the following analyses were performed for each of the 57 study areas based on the 2011 NECA forecast data and actual 2010 financial results:

- The effect of phasing out Corporate Operations Expense over 3 years (2012-2014) on HCLS.
- The effect of phasing out Corporate Operations Expense over 3 years (2012-2014) on ICLS.
- The effect of phasing out Corporate Operations Expense over 3 years (2012-2014) on LSS.

- The effect of reducing the HCLS support levels from 65% and 75% to 55% and 65% at once, starting in 2012.
- The effect of phasing out SNA over a 4-year period (2012-2015).
- The effect of phasing out LSS over a 3-year period (2012-2014).
- The effect of capping total High Cost Support (HCS) at \$3,000 per line per year.
- The effect of transitioning intrastate switched access rates to a composite interstate switched access rate for each company or \$0.0007 per minute of use.¹¹
- The combined effect of these proposed rule changes on net income.
- The combined effect of these proposed rule changes on the ability to repay existing debt, as measured by three key financial ratios, Debt Service Coverage (DSC), Times Interest Earned Ratio (TIER), and Debt/EBITDA.¹²
- The combined effect of these proposed rule changes on local customer rates.¹³

II. Financial Results and Findings of Moss Adams' NPRM Analysis

The results of the analyses and assumptions outlined above, as they relate to the proposed USF rules in the NPRM on the financial performance of the 57 study areas, can be summarized as follows:

¹¹ While there is a proposed calculation of support under Phase 2 of the Connect America Fund (CAF) that could include recovery of certain lost intrastate revenues, the NPRM does not ensure that this intrastate revenue loss will be recovered through the CAF or some other mechanism. As a result, we have included the proposed reductions in intrastate access revenues as potential lost revenues under the NPRM.

¹² Banks that traditionally lend to the rural telecommunications industry mandate loan covenants on borrowers, which usually include TIER, DSC, and/or Debt/EBITDA ratios. While these covenants can vary between borrowers and lenders, we typically see covenants with TIER ratios between 1.50% and 1.75%, DSC ratios at 1.25%, and Debt/EBITDA between 2.0 and 4.5.

¹³ Presumably, increases in local rates will be the only way to recover lost USF revenues and potentially lost intrastate access revenues, as it is not clear that the CAF will cover lost intrastate revenues.

- The phase out of Corporate Operations Expense alone¹⁴ reduces HCLS by \$21,329,673, ICLS by \$12,463,883¹⁵, and LSS by \$3,743,913 for a total impact of \$37,537,469. This is a reduction in total High Cost Support of 22.47% over 3 years.
- The reduction in HCLS support from 65% of the Study Area Cost Per Loop (SACPL) above 115% of the National Average Cost Per Loop (NACPL) up to 150% of the NACPL and 75% of the SACPL above 150% of the NACPL to 55% and 65% respectively, alone reduces HCLS by \$10,642,108. This is a reduction in total High Cost Support of 6.37% over 3 years.
- The phase out of SNA eliminates support of \$1,871,485 over 3 years and \$2,495,313 over 4 years. This is a reduction in total High Cost Support of 1.12% and 1.49% respectively.
- The phase out of LSS eliminates support of \$18,051,580. This is a reduction in total High Cost Support of 10.81% over 3 years.
- The limitation of total High Cost Support to \$3,000 per line per year reduces support by \$2,542,759. This is a reduction in total High Cost Support of 1.52% over 3 years.
- The combined result of all the proposed USF rule changes is a reduction in net income of \$58,766,146, from \$61,262,980 to \$2,496,835. This results in a significant reduction in the financial ratios included in many loan covenants. The TIER ratio is reduced from 4.74 to 1.81, the DSC ratio is reduced from 0.79 to 0.04, and Debt/EBITDA ratio increases from 2.01 to 2.68. In addition, the return on regulated rate base declines precipitously from 8.05% to 0.33%.¹⁶

The results of the proposed USF rules in the NPRM on revenues, net income and financial ratios are also summarized in the tables on the following page.

¹⁴ This does not include the impact of any other proposed rule changes.

¹⁵ This analysis excluded the impact that changes to LSS will have on the calculation of ICLS. Changes to LSS and the shift of local switching revenue requirement to the common line revenue requirement actually increases the amount of ICLS that companies will receive.

¹⁶ Calculated as Net Income / Regulated Rate Base. The interstate rate of return authorized by the FCC is 11.25%. Intrastate rates of return vary by state and by company, but typically fall in the range of 8% to 12%.

Table 1
Impacts of Proposed USF Rules on High Cost Support

	Stand Alone Impacts	Combined Impacts	% of HCS
HCLS			
Corporate Operations Phase Out	\$ (21,329,673)		-12.77%
55%/65% Expense Adjustment	\$ (10,642,108)		-6.37%
Combined HCLS		\$ (28,709,433)	-17.19%
SNA			
Phase Out of Support		\$ (1,871,485)	-1.12%
ICLS			
Corporate Operations Phase Out	\$ (12,463,883)		-7.46%
With LSS Adjustments		\$ (7,590,889)	-4.54%
LSS			
Corporate Operations Phase Out	\$ (3,743,913)		-2.24%
Phase Out of Support		\$ (18,051,580)	-10.81%
Support Capped @ \$3K/Line		\$ (2,542,759)	-1.52%
Total Impacts		\$ (58,766,146)	-35.18%

Table 2
Impacts of Proposed USF Rules on Net Income & Financial Ratios

	Pre NPRM	Post NPRM	Variance
Net Income	\$ 61,262,980	\$ 2,496,835	\$ (58,766,146)
Times Interest Earned Ratio (TIER)	4.74	1.81	(2.93)
Debt Service Coverage (DSC)	0.79	0.04	(0.75)
Debt / EBITDA	2.01	2.68	0.67
Return on Regulated Rate Base	8.05%	0.33%	-7.72%

- The reduction of intrastate switched access rates to a composite interstate switched access rate, or \$0.0007 per minute of use, reduces intrastate revenue by \$18,013,737 and \$31,850,007 respectively. This is a reduction of 55.98% and 98.97% respectively.

The results of the potential changes in intrastate intercarrier compensation on revenue discussed in the NPRM are also summarized in the table below:

Table 3
Impacts of Reduced Intrastate Access Rates on Revenues

	Revenues	\$ Variance from 2010 Actual	% Variance from 2010 Actual
2010 Intrastate Switched Access Revenues	\$ 32,180,566	\$ -	0.00%
Composite Interstate Access Rates	\$ 14,166,829	\$ (18,013,737)	-55.98%
\$0.0007 Access Rate	\$ 330,559	\$ (31,850,007)	-98.97%

- The combined impact of these proposed rule changes has a devastating impact on the combined net income of the 57 study areas. In 2010, net income was \$61,262,980. The result of the proposed USF rule changes, and intrastate switched access rates at the composite interstate rate, is a reduction in net income of \$76,779,882 for a resulting net loss of \$15,516,902. If intrastate switched access rates are further reduced to \$0.0007, and there is no support for this lost revenue under the Connect America Fund (CAF) or some other mechanism, net income is reduced by \$90,616,152 for a resulting net loss of \$29,353,172. There is no need to recalculate the financial ratios given these changes, as both the TIER and DSC ratios would be negative and no lender will provide capital in this regulatory environment.

The results of the potential changes in intrastate intercarrier compensation discussed in the NPRM are also summarized in the table below:

Table 4
Impacts of Proposed USF Rules & Reduced Intrastate Access Rates on Net Income

	Net Income	\$ Variance from 2010 Actual
2010 USF & Intrastate Switched Access Revenues	\$ 61,262,980	\$ -
Revised USF & Composite Interstate Access Rates	\$ (15,516,902)	\$ (76,779,882)
Revised USF & \$0.0007 Access Rate	\$ (29,353,172)	\$ (90,616,152)

As a result of our analyses, we find the following to be true:

- The proposed modifications to the USF rules result in staggering revenue losses of \$58,766,146 for the 57 study areas analyzed. This is a 35.18% reduction in High Cost Support and 14.82% of total regulated revenues, which represents nearly 96% of these companies' net income.
- Total company rates of return at 0.33% will bring investment in rural telecommunications networks to a screeching halt. No prudent investor will put their capital at risk in this market when greater returns can be achieved in risk free investments, such as short term CDs. Lenders will refuse to make loans in this environment, where the average rate of return is less than 10% of today's long term interest rates, which are at or near all time lows.
- The resulting impacts on the financial ratios, which are key components of many loan covenants, are substantially negative. Average TIER of 1.81 and DSC of 0.04 would likely cause many of the 57 study areas to default on loan covenants with their lenders. The TIER of 47 of the 57 study areas drops below the generally accepted baseline of 1.50 as a result of the proposed rules in the NPRM. The DSC of 54 of the 57 study areas drops below the generally accepted baseline of 1.25 as a result of the proposed rules in the NPRM. This puts over \$419M of existing loans, many of which are underwritten by

the United States Department of Agriculture, at risk of default. Additionally, significant increases in Debt/EBITDA ratios will leave lenders extremely reluctant to loan additional funds to rural telecommunications providers subject to the proposed regulations and drastically reduced revenue streams.

- In order to recover the lost High Cost Support, the 57 study areas would need to increase average end user rates by an estimated \$17.64 per line per month, or reduce costs by a similar amount. Residential rates for supported voice services for these companies average \$15.87 per line per month today. This is an increase of more than 116.7% from today's average rates. The upward pressure on local rates resulting from these proposed changes would jeopardize the goal of keeping rates in rural areas reasonably comparable to those in urban areas.
- If the CAF, or some other mechanism does not support lost intrastate access revenues, end user rates would need to increase by an additional \$5.41 with intrastate access rates reduced to the composite interstate rate per minute of use, or \$9.56 with intrastate access rates reduced to \$0.0007 per minute of use. Combined with the reductions in High Cost Support outlined above, end user rates would need to increase by as much as \$27.20 to recover the lost revenues. This is an increase of more than 171% and brings the average rate for residential basic local service to a staggering \$43.07 per month, not including the Federal Subscriber Line Charge, calling features, and taxes and surcharges.

III. Recommendations

A. The NPRM Does Not Properly Address the Contribution Base and Methodology as Reasonable Solutions to the Perceived Problem; That Consumers are Paying Too Much For USF

Before presuming that both the size of the Universal Service Fund and the associated contribution factor have grown too large, we believe that the FCC should further analyze the contribution methodology and base to determine if there are ways of minimizing the impact on end users. The overall size of the fund should not be relevant so long as the distribution of funds is meeting the stated public interest goal of providing the supported services to all customers at

reasonable and comparable rates, and the costs that generate the support are efficient and reasonable. In 2007, the FCC's Office of Inspector General (OIG) implemented audit procedures to review carriers' contributions to Federal USF. This audit process discovered significant errors in how many carriers were reporting revenues and contributing to the fund.¹⁷ For some reason, despite the adverse results, these audits were not continued beyond 2007.

We recommend that the FCC reinstitute contributor audits to ensure that all relevant revenues are being reported and contributions to USF properly calculated. Doing so would likely increase the contribution base and alleviate some pressure on end users that pay the contribution factor on interstate services. In addition, a fund that is designed to support broadband services, as the FCC is proposing, and which is appropriate for the future of telecommunications in America, should require contributions from those being supported. It is vital that all broadband service providers, including all VoIP carriers, be required to contribute to the USF.

B. The Proposed Rules as Drafted in the NPRM Do Not Sufficiently Allow for the Repayment of Existing Debt

Rural rate of return carriers have significant debt that was incurred to fulfill the Universal Service mandate. Both carriers and lenders alike made long term decisions based on the rules and cost recovery mechanisms currently in place. To make any flash cut, or even a 3 year transition in support, would decimate these companies' financial position and ability to repay

¹⁷ See "Contributors to the Universal Service Support Mechanism Initial Statistical Analysis of Data from the 2006/2007 Compliance Audits" a report by the Office of Inspector General, Federal Communications Commission issued October 3, 2007. At pages 2-3, this report states, "We found non-compliance on every FCC Rule and Regulation. Indeed, except for one instance, we found material-non-compliances on FCC Rules/Regulations...In summary, there are significant problems in the contribution component of USF, and non-compliance may be more widespread than the results suggest, because of the existence of disclaimed opinions.

existing debt, and would eliminate any opportunity to acquire additional debt to continue funding the provision of Universal Service.¹⁸

We recommend that, at a minimum, the FCC spread any proposed changes over a longer period of time to allow existing debt commitments to be repaid. If the FCC elects to utilize any period shorter than the remaining life of the outstanding debt, then carriers should be allowed to increase their depreciation rates to allow for the full repayment of debt incurred under the existing rules.

C. Any Phase Out of Local Switching Support Should be Sufficiently Long to Allow for the Cost Recovery of Embedded Investments Made Under the Current Rules

We do not believe that there is strong justification for the elimination of LSS. While the overall cost of local switching has come down with the advent of packet based switches, the average cost of providing local switching services in rural America is still significant, especially when viewed on a per line basis. LSS serves a vital purpose in assisting with the recovery of high local switching costs, and keeping switched access rates reasonable.

At a minimum, we recommend that the FCC maintain support for the high cost of local switching investment and roll these costs into a combined support mechanism with HCLS, which would compare each carrier's cost to a national average cost. Doing so would reduce the amount of support required, as only some carriers would exceed the threshold for support, as is the case with today's HCLS.

If the FCC is to phase out LSS, it should be phased-out over a much longer period than the three years proposed in the NPRM. Three years is arbitrary and does not allow sufficient time for many rural carriers to recover the embedded cost of local switching equipment. Some

¹⁸ This includes both today's Universal Service support of voice services and the proposed future support of broadband services.

rural carriers are still transitioning from legacy circuit based switching equipment to packet based switching investment, and many others have just completed that transition. Eliminating this support mechanism shifts cost recovery, which averages \$5.42 per line per month for the 57 study areas analyzed, to rural customers.

D. A Complete Phase Out of Corporate Operations Expense From USF Oversteps the Stated Goal of Cost Efficiency

To completely eliminate Corporate Operations Expense from the calculation of support is to treat these expenses as discretionary, which is largely inaccurate. The vast majority of Corporate Operations Expense is driven by salaries and benefits of corporate management, accounting, regulatory, and administrative staff. While the FCC may believe that some or all of these costs are discretionary, the majority of these functions are necessary for the efficient operation of the company and to comply with various rules and regulations promulgated by federal, state, and local governments.

All businesses, including regulatory telecommunications carriers, require strategic direction, legal services, finance and accounting functions, and other administrative functions¹⁹ to properly function in the long term. In addition, it should be noted that the FCC already has review procedures in place, via the OIG High Cost Support audit process managed by the Universal Service Administrative Company. This accountability process should be a means to ensure that carriers are operating efficiently and that only appropriate Corporate Operations Expenses are included in the calculation of support.

Rather than eliminating Corporate Operations Expense from the calculation of support, we recommend that the existing Corporate Operations Expense cap be applied to the calculation

¹⁹ These are the same types of costs that are included in the Corporate Operations Expenses that the NPRM proposes to phase out from USF over three years.

of all high cost Universal Service Funding. In addition, depending on what the Commission decides to do with Inter-carrier Compensation, this same cap could be applied to the calculation of interstate and intrastate revenue requirements used in the development of Inter-carrier Compensation rates. Doing so would incorporate an FCC accepted efficiency calculation into the determination of all types of support, and would reduce the overall size of the fund and inter-carrier compensation rates.

E. Expense and Capital Benchmarks Are Potential Tools to Increase Efficiency and Reduce the Overall Size of the USF

The NPRM and proposed USF rules drastically reduce or eliminate the amount of USF that carriers receive to assist in recovering their high costs to serve rural areas. In doing so, certain expenses are excluded from the calculation of support and substantial costs are left unrecovered under rate of return regulation, all in the name of achieving efficiency that the FCC perceives is lacking today.²⁰ Doing so appears to be a reaction to recent allegations that point to a few very small, and quite unique, companies that have extremely high costs. It is vital that the FCC not overreact to this information and paint the entire industry with a very broad brush. There are rural carriers that are already very efficient, who would be significantly harmed by the FCC's ubiquitous revenue reductions.

We recommend that, rather than drastically reducing or eliminating these funding mechanisms on a wholesale basis, the FCC could utilize expense and capital investment benchmarks to determine annual costs to be recovered by rural carriers. Naturally, any benchmarks would need to be stratified by various factors (geography, population density, cost of living, etc), as all situations are not equal. In addition, the FCC would need to establish a

²⁰ The FCC has proposed that rural carriers are inefficient, which could be true in some cases, but this conclusion is not supported by any analyses beyond the presumption that the Federal USF has become too large.

waiver process to allow carriers an opportunity to make a showing that their costs above the benchmarks are legitimate and reasonable. The FCC would also need to allow for varied investments from year to year, to reflect the fact that investment does not always occur on a consistent basis and that there are times where technological upgrades are necessary. Doing so would allow carriers that are already efficient to retain their existing revenues, while giving other carriers a target to shoot for, under which they would be allowed to recover their actual costs.

We are aware that there is at least one group within the rural telecommunications industry that is developing and presenting benchmark cost data to the FCC. While we have not seen the results of their analyses, we believe that benchmarking has strong merits in financial decision making and may be a reasonable tool to help accomplish the efficiency the FCC is seeking without making wholesale changes in support for all carriers. We encourage the FCC to strongly consider the benchmarking information that is presented in this proceeding, as it will give a much better picture of the current state of affairs than recent allegations of rampant inefficiency within rural telecommunications carriers.

F. The Identical Support Rule as Originally and Currently Implemented Does Not Effectively Target Vital USF Resources Where They Are Needed Most

The identical support rule is an ill-conceived concept that originally distributed the same amount of universal service funds to a CETC as it did to an Eligible Telecommunications Carrier (ETC), regardless of the CETC's costs in relation to the ETC's costs. Eventually, the FCC determined that this was not an appropriate means of distributing support funds to CETCs, and froze the amount of support available in each state, with support being distributed based on the relative number of CETC lines served in the state. Neither of these distribution methodologies is sound, as both rely on the premise that CETC costs are the same as ETC costs on a per line basis, either on an individual company or statewide basis. While there may be situations where this is

or was the case, there are many more situations where the support was a windfall beyond the CETC's actual cost of providing service.

We agree with the NPRM's proposal to eliminate the identical support rule for CETCs. We believe that there are more appropriate means by which to distribute support to competitive providers. For example, we see merit in a mobility fund that would support the deployment and maintenance of a wireless network that is complimentary to the wireline network in rural areas. This fund could be a cost based support mechanism comparable to the current calculations required of incumbent ETCs.

IV. Conclusion

If the FCC continues down the path of the NPRM as written, it needs to be prepared for the likely result that it will drive many of the existing rural carriers out of business. These are the carriers that are providing universal service as the Carriers of Last Resort and ETCs in many of the most rural and high cost areas in the country. If this were to happen, there would need to be replacement providers available to immediately fill the gaping universal service hole left behind. These providers do not exist in most areas today, as neither wireless carriers nor cable television providers have ubiquitous coverage throughout the country, especially in rural areas. This will not only wipe companies out, but will also require that there be a replacement option to provide the services.

The NPRM appears to conclude that rural carriers need to operate more efficiently, but does not provide any data to support this conclusion beyond the contention that the fund and the associated contribution factor have grown too large. In our experience many rural carriers do not have the ability to generate significant cost savings through increased efficiency. As the designated carrier of last resort they are obligated to provide service to all requesting customers.

As a result of this obligation, their ability to reduce capital investments is limited. If a customer requests service, they must build the facilities to that customer, pursuant to state and federal tariffs. In order to meet the expectations of their customers to provide services that are reasonably comparable to those available in urban areas, they must continually maintain and upgrade their network.

In addition to the capital costs discussed above, many of operating expenses are fixed, and certainly are not discretionary, as the NPRM would suggest. The majority of operating expenses are driven by employee salaries and benefits, and depreciation expense. These employees install service, maintain the network, provide customer service, and perform administrative and management functions. Many of these functions are mandated by the FCC and or the state public utilities commission; they are not discretionary or optional.

The FCC's NPRM and the associated proposed short term USF rules and proposed long term intercarrier compensation reform will have drastically negative impacts on the rural telecommunications industry. These carriers have invested heavily in the provision of universal service to the most sparsely populated and costly to serve areas of the country under the current rate of return rules. The NPRM proposes to displace those rules, and the associated cost recovery, with a mechanism that would not allow these carriers to recover their cost of providing service. We believe that our analysis and summary of results outlined above emphatically shows that the NPRM, as written, will result in very dire financial circumstances for many rural carriers. Such an outcome would likely result in many of these carriers discontinuing investment in telecommunications in rural America. The FCC must reconsider this course of action and ensure that rural carriers have the opportunity to recover their existing and ongoing costs of providing universal voice and broadband services in rural America.

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Respectfully submitted,

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	Effect of Corporate Phase Out				Effect of LSS Phase Out		
	Yr. 1	Yr. 2	Yr. 3		Yr. 1	Yr. 2	Yr. 3
Study Area	Original '11 Est	33% Corp Reduction	67% Corp Reduction	100% Corp Reduction	33% LSS Reduction	67% LSS Reduction	100% LSS Reduction
1	1,233,621	(150,022)	(304,919)	(455,640)	(119,681)	(242,988)	(362,669)
2	1,066,814	(222,567)	(425,421)	(513,078)	(74,893)	(152,054)	(226,947)
3	1,607,020	(317,128)	(643,946)	(823,462)	(109,329)	(221,971)	(331,300)
4	1,209,849	(165,492)	(336,023)	(501,411)	(84,883)	(172,337)	(257,220)
5	616,132	(64,420)	(124,390)	(182,610)	(41,704)	(84,673)	(126,377)
6	1,141,780	(167,366)	(340,424)	(507,232)	(19,630)	(39,856)	(59,486)
7	1,496,059	(139,220)	(282,703)	(422,016)	(24,914)	(50,583)	(75,497)
8	3,332,802	(253,657)	(478,525)	(714,320)	(31,647)	(64,254)	(95,901)
9	3,728,387	(207,083)	(420,489)	(627,671)	(127,867)	(259,608)	(387,475)
10	7,698,511	(438,149)	(889,646)	(1,327,941)	(84,846)	(172,264)	(257,110)
11	3,898,116	(325,003)	(660,007)	(985,315)	(174,028)	(353,331)	(527,359)
12	11,802,657	(654,012)	(1,328,106)	(1,982,639)	(198,735)	(403,491)	(602,226)
13	14,627,552	(1,151,441)	(2,314,517)	(3,466,423)	(195,071)	(396,054)	(591,125)
14	10,420,666	(536,577)	(1,089,700)	(1,626,846)	(164,127)	(333,229)	(497,356)
15	87,794	(18,120)	(27,084)	(35,803)	(6,122)	(12,429)	(18,550)
16	1,146,679	(138,649)	(281,549)	(420,299)	(26,667)	(54,141)	(80,808)
17	632,382	(89,514)	(178,596)	(259,225)	(10,146)	(20,600)	(30,746)
18	4,117,681	(129,567)	(263,065)	(392,642)	(155,549)	(315,812)	(471,361)
19	1,867,173	(74,573)	(151,412)	(225,996)	(146,327)	(297,087)	(443,414)
20	2,846,975	(212,397)	(431,769)	(645,302)	(245,970)	(499,394)	(745,364)
21	6,775,867	(360,843)	(732,762)	(1,093,893)	(125,331)	(254,461)	(379,792)
22	1,560,465	(137,338)	(278,863)	(416,253)	(58,790)	(119,361)	(178,150)
23	1,047,743	(258,522)	(389,164)	(487,754)	(101,476)	(206,028)	(307,504)
24	1,766,131	(152,999)	(310,689)	(463,799)	(60,703)	(123,245)	(183,948)
25	1,768,309	(392,864)	(581,669)	(703,898)	(6,570)	(13,340)	(19,910)
26	7,291,308	(438,738)	(890,857)	(1,329,771)	(126,096)	(256,014)	(382,110)
27	980,398	(74,627)	(151,557)	(226,269)	(167,525)	(340,127)	(507,652)
28	159,607	(5,861)	(15,566)	(24,993)	(19,509)	(39,610)	(59,119)
29	1,533,884	(140,311)	(284,948)	(425,408)	(122,159)	(248,019)	(370,178)
30	2,404,685	(316,649)	(643,088)	(828,562)	(231,952)	(470,933)	(702,885)
31	771,204	(64,243)	(130,531)	(194,983)	(79,132)	(160,662)	(239,794)
32	804,632	(171,909)	(342,382)	(460,944)	(58,552)	(118,878)	(177,430)
33	1,379,586	(252,771)	(493,099)	(724,547)	(50,953)	(103,449)	(154,402)
34	1,495,941	(307,963)	(606,923)	(887,070)	(44,007)	(89,347)	(133,354)
35	1,885,451	(280,792)	(399,136)	(514,014)	(95,841)	(194,586)	(290,427)
36	1,137,358	(150,027)	(304,728)	(455,034)	(46,323)	(94,050)	(140,373)
37	2,245,353	(186,346)	(378,348)	(564,715)	(41,087)	(83,418)	(124,505)
38	380,417	(82,890)	(163,862)	(195,845)	(16,909)	(34,329)	(51,238)
39	1,954,164	(163,831)	(332,651)	(496,529)	(29,706)	(60,312)	(90,018)
40	3,033,844	(130,773)	(266,655)	(399,747)	(395,977)	(803,953)	(1,199,930)
41	287,266	(13,610)	(27,633)	(41,242)	(33,562)	(68,142)	(101,704)
42	3,913,841	(331,878)	(673,865)	(1,005,855)	(26,918)	(54,652)	(81,570)
43	1,920,482	(236,219)	(479,747)	(716,274)	(163,424)	(331,799)	(495,223)
44	2,165,892	(184,419)	(374,460)	(558,950)	(129,512)	(262,948)	(392,460)
45	645,892	(99,160)	(201,374)	(300,645)	(36,880)	(74,879)	(111,759)
46	4,091,542	(464,984)	(916,460)	(1,354,707)	(112,740)	(228,897)	(341,637)
47	2,769,403	(151,688)	(307,989)	(459,710)	(109,367)	(222,047)	(331,414)
48	9,054,569	(405,263)	(822,912)	(1,228,383)	(323,852)	(657,518)	(981,370)
49	8,053,548	(469,882)	(954,057)	(1,424,048)	(276,932)	(562,256)	(839,188)
50	4,561,428	(190,297)	(386,418)	(576,832)	(158,366)	(321,532)	(479,898)
51	1,235,310	(55,925)	(113,550)	(169,481)	(164)	(334)	(498)
52	3,435,459	(160,511)	(325,887)	(486,399)	(84,002)	(170,551)	(254,553)
53	799,164	(76,551)	(155,429)	(231,994)	(41,495)	(84,248)	(125,743)
54	2,019,838	(145,190)	(294,945)	(440,467)	(226,459)	(459,780)	(686,239)
55	1,957,630	(215,007)	(436,639)	(651,875)	(55,257)	(112,187)	(167,444)
56	947,672	(73,709)	(149,870)	(221,542)	(215,463)	(437,456)	(652,919)
57	4,217,203	(217,518)	(441,635)	(659,166)	(41,894)	(85,057)	(126,951)
Total	167,031,136	(13,017,064)	(25,732,640)	(37,537,469)	(5,957,021)	(12,094,559)	(18,051,580)

	Effect of HCLS 55/65% Change			Effect of Safety Net Phase Out			Effect of Corporate and LSS Phase Out		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
Study Area	YR 1 55/65 Reduction	YR 2 55/65 Reduction	YR 3 55/65 Reduction	25% SNA Reduction	50% SNA Reduction	75% SNA Reduction	Corp & LSS 33% Reduction	Corp & LSS 67% Reduction	Corp & LSS 100% Reduction
1	0	0	0	0	0	0	(213,291)	(411,582)	(583,413)
2	(38,120)	(38,120)	(38,120)	(15,861)	(31,722)	(47,583)	(124,652)	(238,757)	(335,663)
3	(74,175)	(74,175)	(74,175)	0	0	0	(172,368)	(333,855)	(475,020)
4	(64,759)	(64,759)	(64,759)	0	0	0	(114,743)	(219,213)	(307,299)
5	(958)	(958)	(958)	0	0	0	(80,872)	(158,186)	(227,400)
6	(57,468)	(57,468)	(57,468)	(24,300)	(48,600)	(72,900)	(61,998)	(123,111)	(179,745)
7	(114,369)	(114,369)	(114,369)	0	0	0	(58,155)	(116,621)	(171,962)
8	(285,349)	(285,349)	(285,349)	0	0	0	(87,427)	(174,549)	(256,249)
9	(299,139)	(299,139)	(299,139)	0	0	0	(147,460)	(293,545)	(429,710)
10	(613,481)	(613,481)	(613,481)	0	0	0	(180,804)	(356,189)	(515,858)
11	(254,076)	(254,076)	(254,076)	0	0	0	(234,961)	(460,592)	(663,693)
12	(807,259)	(807,259)	(807,259)	(171,999)	(343,998)	(515,997)	(369,825)	(735,248)	(1,074,825)
13	(583,237)	(583,237)	(583,237)	0	0	0	(541,193)	(1,086,184)	(1,603,615)
14	(777,770)	(777,770)	(777,770)	(92,403)	(184,806)	(277,209)	(429,601)	(707,317)	(1,028,626)
15	(1,452)	(1,452)	(1,452)	0	0	0	(12,672)	(25,198)	(37,756)
16	(82,030)	(82,030)	(82,030)	0	0	0	(62,295)	(124,330)	(182,462)
17	(44,764)	(44,764)	(44,764)	0	0	0	(28,578)	(56,779)	(82,944)
18	(353,335)	(353,335)	(353,335)	0	0	0	(143,318)	(283,485)	(412,282)
19	(119,333)	(119,333)	(119,333)	0	0	0	(124,534)	(246,058)	(357,443)
20	0	0	0	0	0	0	(358,577)	(697,686)	(997,835)
21	(539,029)	(539,029)	(539,029)	(26,457)	(52,914)	(79,371)	(246,421)	(479,938)	(686,867)
22	(108,602)	(108,602)	(108,602)	0	0	0	(83,613)	(164,560)	(238,148)
23	(32,403)	(32,403)	(32,403)	0	0	0	(157,890)	(308,506)	(443,100)
24	(113,060)	(113,060)	(113,060)	(7,911)	(15,822)	(23,733)	(87,503)	(172,055)	(248,703)
25	(51,398)	(51,398)	(51,398)	0	0	0	(125,580)	(254,275)	(378,529)
26	(473,656)	(473,656)	(473,656)	(171,454)	(342,908)	(514,361)	(234,496)	(463,969)	(674,949)
27	0	0	0	0	0	0	(174,528)	(337,442)	(479,278)
28	0	0	0	0	0	0	(20,888)	(40,570)	(57,888)
29	(91,857)	(91,857)	(91,857)	0	0	0	(131,990)	(255,678)	(363,937)
30	(64,115)	(64,115)	(64,115)	0	0	0	(283,142)	(556,280)	(803,610)
31	0	0	0	0	0	0	(120,366)	(217,746)	(294,287)
32	(39,558)	(39,558)	(39,558)	0	0	0	(97,107)	(187,888)	(267,120)
33	(67,631)	(67,631)	(67,631)	(25,748)	(51,495)	(77,243)	(117,500)	(229,408)	(329,176)
34	(94,352)	(94,352)	(94,352)	0	0	0	(120,193)	(236,733)	(342,798)
35	(147,369)	(147,369)	(147,369)	0	0	0	(212,413)	(274,020)	(329,685)
36	(311,949)	(311,949)	(311,949)	0	0	0	(85,969)	(167,651)	(240,301)
37	(204,045)	(204,045)	(204,045)	(7,146)	(14,292)	(21,438)	(74,605)	(145,608)	(208,839)
38	(15,231)	(15,231)	(15,231)	0	0	0	(42,117)	(83,906)	(122,913)
39	(150,236)	(150,236)	(150,236)	(14,615)	(29,231)	(43,846)	(67,160)	(134,274)	(197,392)
40	0	0	0	0	0	0	(472,893)	(888,893)	(1,241,167)
41	(14,570)	(14,570)	(14,570)	0	0	0	(30,804)	(59,408)	(85,303)
42	(292,386)	(292,386)	(292,386)	(21,757)	(43,514)	(65,270)	(114,803)	(230,751)	(341,032)
43	(107,475)	(107,475)	(107,475)	0	0	0	(210,226)	(395,966)	(637,636)
44	(136,395)	(136,395)	(136,395)	0	0	0	(171,106)	(330,273)	(468,195)
45	(46,542)	(46,542)	(46,542)	0	0	0	(58,105)	(111,471)	(157,012)
46	(209,338)	(209,338)	(209,338)	0	0	0	(235,237)	(462,923)	(669,683)
47	(223,042)	(223,042)	(223,042)	(5,286)	(10,572)	(15,858)	(117,865)	(231,656)	(334,702)
48	(677,442)	(677,442)	(677,442)	(25,220)	(50,441)	(75,661)	(349,245)	(692,568)	(1,009,963)
49	(606,333)	(606,333)	(606,333)	0	0	0	(326,612)	(647,629)	(944,223)
50	(364,272)	(364,272)	(364,272)	0	0	0	(179,759)	(354,516)	(514,191)
51	(49,903)	(49,903)	(49,903)	0	0	0	(47,877)	(97,191)	(145,041)
52	(266,924)	(266,924)	(266,924)	(6,954)	(13,908)	(20,862)	(118,630)	(237,177)	(348,667)
53	(56,838)	(56,838)	(56,838)	0	0	0	(49,126)	(95,293)	(135,787)
54	0	0	0	0	0	0	(281,239)	(548,179)	(785,265)
55	(146,347)	(146,347)	(146,347)	0	0	0	(117,736)	(229,496)	(328,745)
56	0	0	0	0	0	0	(207,872)	(402,708)	(573,805)
57	(368,735)	(368,735)	(368,735)	(6,718)	(13,436)	(20,153)	(98,681)	(197,530)	(290,732)
Total	(10,642,108)	(10,642,108)	(10,642,108)	(623,828)	(1,247,657)	(1,871,485)	(9,218,625)	(17,772,617)	(25,642,469)

	Effect of \$3k Corp Cap			\$ Effect of All Proposals			\$ Effect of All Proposals		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
Study Area	33% LSS Reduction	67% LSS Reduction	100% LSS Reduction	\$ all proposals YR1	\$ all proposals YR2	\$ all proposals YR3	% all proposals YR1	% all proposals YR2	% all proposals YR3
1	0	0	0	(213,291)	(411,582)	(583,413)	-17.29%	-33.36%	-47.29%
2	0	0	0	(292,970)	(518,261)	(631,028)	-27.46%	-48.58%	-59.15%
3	0	0	0	(419,644)	(759,477)	(957,159)	-26.11%	-47.26%	-59.56%
4	0	0	0	(262,222)	(451,919)	(622,566)	-21.67%	-37.35%	-51.46%
5	0	0	0	(87,099)	(164,413)	(233,627)	-14.14%	-26.68%	-37.92%
6	0	0	0	(242,114)	(428,856)	(608,138)	-21.20%	-37.56%	-53.26%
7	0	0	0	(256,664)	(401,820)	(541,301)	-17.16%	-26.86%	-36.18%
8	0	0	0	(517,995)	(754,736)	(981,655)	-15.54%	-22.65%	-29.45%
9	0	0	0	(571,927)	(847,138)	(1,108,631)	-15.34%	-22.72%	-29.73%
10	0	0	0	(1,059,126)	(1,507,377)	(1,931,887)	-13.76%	-19.58%	-25.09%
11	0	0	0	(657,996)	(1,057,707)	(1,429,767)	-16.88%	-27.13%	-36.68%
12	0	0	0	(1,703,327)	(2,605,728)	(3,471,548)	-14.43%	-22.08%	-29.41%
13	0	0	0	(1,754,375)	(2,948,400)	(4,095,775)	-11.99%	-20.16%	-28.00%
14	0	0	0	(1,536,995)	(2,151,523)	(2,802,456)	-14.75%	-20.65%	-26.89%
15	0	0	0	(22,108)	(34,634)	(47,192)	-25.18%	-39.45%	-53.75%
16	0	0	0	(224,770)	(369,686)	(508,263)	-19.60%	-32.24%	-44.32%
17	0	0	0	(131,238)	(215,932)	(291,086)	-20.75%	-34.15%	-46.03%
18	0	0	0	(572,536)	(790,884)	(995,563)	-13.90%	-19.21%	-24.18%
19	0	0	0	(283,087)	(445,018)	(595,623)	-15.16%	-23.83%	-31.90%
20	0	0	0	(358,577)	(697,686)	(997,835)	-12.60%	-24.51%	-35.05%
21	0	0	0	(968,783)	(1,390,387)	(1,780,649)	-14.30%	-20.52%	-26.28%
22	0	0	0	(271,611)	(434,359)	(587,343)	-17.41%	-27.84%	-37.64%
23	0	0	0	(343,745)	(519,126)	(653,720)	-32.81%	-49.55%	-62.39%
24	0	0	0	(297,283)	(481,245)	(654,713)	-16.83%	-27.25%	-37.07%
25	0	0	0	(406,300)	(588,367)	(712,621)	-22.98%	-33.27%	-40.30%
26	0	0	0	(1,122,952)	(1,774,598)	(2,400,378)	-15.40%	-24.34%	-32.92%
27	0	0	0	(174,528)	(337,442)	(479,278)	-17.80%	-34.42%	-48.89%
28	0	0	0	(20,888)	(40,570)	(57,888)	-13.09%	-25.42%	-36.27%
29	0	0	0	(294,959)	(491,914)	(671,286)	-19.23%	-32.07%	-43.76%
30	0	0	0	(500,365)	(931,251)	(1,220,356)	-20.81%	-38.73%	-50.75%
31	0	0	0	(120,366)	(217,746)	(294,287)	-15.61%	-28.23%	-38.16%
32	0	0	0	(228,265)	(406,579)	(530,892)	-28.37%	-50.53%	-65.98%
33	0	0	0	(350,822)	(612,463)	(856,393)	-25.43%	-44.39%	-62.08%
34	0	0	0	(397,545)	(684,136)	(945,047)	-26.57%	-45.73%	-63.17%
35	0	0	0	(450,535)	(582,911)	(707,262)	-23.90%	-30.92%	-37.51%
36	0	0	0	(239,643)	(401,644)	(552,250)	-21.07%	-35.31%	-48.56%
37	0	0	0	(402,255)	(600,392)	(787,228)	-17.92%	-26.74%	-35.06%
38	0	0	0	(100,465)	(182,910)	(221,917)	-26.41%	-48.08%	-58.34%
39	0	0	0	(331,907)	(516,556)	(694,183)	-16.98%	-26.43%	-35.52%
40	0	0	0	(472,893)	(888,893)	(1,241,167)	-15.59%	-29.30%	-40.91%
41	(189,242)	(155,847)	(125,302)	(239,266)	(239,266)	(239,266)	-83.29%	-83.29%	-83.29%
42	0	0	0	(631,480)	(977,858)	(1,312,429)	-16.13%	-24.98%	-33.53%
43	0	0	0	(410,811)	(692,483)	(1,027,263)	-21.39%	-36.06%	-53.49%
44	0	0	0	(382,018)	(617,960)	(830,399)	-17.64%	-28.53%	-38.34%
45	0	0	0	(156,873)	(264,047)	(361,814)	-24.29%	-40.88%	-56.02%
46	0	0	0	(697,291)	(1,167,706)	(1,590,350)	-17.04%	-28.54%	-38.87%
47	0	0	0	(435,043)	(645,661)	(842,842)	-15.71%	-23.31%	-30.43%
48	0	0	0	(1,287,177)	(1,898,119)	(2,476,004)	-14.22%	-20.96%	-27.35%
49	0	0	0	(1,212,586)	(1,821,718)	(2,397,953)	-15.06%	-22.62%	-29.78%
50	0	0	0	(584,987)	(864,819)	(1,126,479)	-12.82%	-18.96%	-24.70%
51	(452,471)	(395,884)	(340,975)	(557,310)	(557,310)	(557,310)	-45.11%	-45.11%	-45.11%
52	0	0	0	(476,262)	(688,056)	(890,255)	-13.86%	-20.03%	-25.91%
53	0	0	0	(150,669)	(242,895)	(328,093)	-18.85%	-30.39%	-41.05%
54	0	0	0	(281,239)	(548,179)	(785,265)	-13.92%	-27.14%	-38.88%
55	0	0	0	(373,298)	(597,582)	(806,045)	-19.07%	-30.53%	-41.17%
56	0	0	0	(207,872)	(402,708)	(573,805)	-21.94%	-42.49%	-60.55%
57	(2,537,306)	(2,302,166)	(2,076,482)	(3,137,203)	(3,137,203)	(3,137,203)	-74.39%	-74.39%	-74.39%
Total	(3,179,019)	(2,853,896)	(2,542,759)	(29,885,561)	(45,009,833)	(58,766,146)	-17.89%	-26.95%	-35.18%

2010

Study Area	Access Lines	Reg Rate Base (x/CWC)	Reg Corporate Exp	Residential Rate	YE Debt	Principal Payments	Interest Expense - Debt	Net Operating Income	Income Tax	Net Income
1	6,469	4,488,750	1,795,200	6.00	2,825,000	347,005	77,351	(554,827)	(15,843)	(483,980)
2	2,969	3,833,656	1,280,182	6.00	2,885,515	162,993	148,400	91,342	60,472	(77,776)
3	4,464	5,353,442	1,494,161	6.00	2,425,000	505,656	82,367	582,872	362,892	263,032
4	1,513	2,559,549	848,497	6.00	3,307,031	302,979	163,173	(113,673)	29,086	(145,608)
5	2,936	2,652,652	1,003,536	6.00	2,000,000	180,733	32,668	(136,057)	43,104	(122,975)
6	4,234	6,914,287	650,833	11.72	315,529	175,502	31,174	493,026	67,437	266,178
7	1,575	6,704,716	599,253	9.60	0.00	0.00	0.00	660,309	87,864	613,555
8	2,421	16,239,782	940,430	12.00	8,478,247	882,805	390,233	1,300,164	12,633	1,049,348
9	2,324	12,084,020	812,659	9.83	9,285,881	662,540	427,979	995,590	5,481	1,099,818
10	6,892	25,042,445	2,091,369	7.83	10,953,404	1,721,603	517,319	1,502,196	18,187	(6,009,798)
11	4,318	14,072,621	1,724,535	25.76	7,243,673	1,260,270	348,176	1,585,357	0	1,748,269
12	18,704	48,587,146	4,392,396	22.00	27,592,293	14,228,034	1,330,063	6,486,623	406,135	4,761,055
13	37,944	94,614,099	5,775,774	10.25	7,494,460	750,463	394,901	6,390,882	269,893	9,231,394
14	11,083	50,320,037	4,810,792	13.20	41,076,857	4,242,417	1,603,201	4,615,088	7,619,310	21,990,051
15	773	3,550,913	350,200	13.20	0.00	0.00	0.00	(61,212)	0	(65,729)
16	1,925	7,805,437	665,236	0.00	5,235,005	280,693	224,195	193,010	0	284,081
17	1,801	4,097,863	421,119	12.83	3,135,787	145,415	167,490	294,692	0	269,025
18	1,397	11,874,211	593,989	21.77	10,118,255	2,046,061	561,459	369,938	357,421	(129,698)
19	1,193	6,780,748	537,527	25.76	2,970,687	0.00	92,243	(169,741)	0	(245,112)
20	11,801	9,044,231	2,771,677	12.38	0.00	0.00	0.00	(458,333)	0	2,169,090
21	3,050	28,110,443	2,289,793	15.28	22,688,123	1,993,036	1,110,046	1,282,898	(3,998)	489,051
22	2,502	8,379,178	541,744	12.62	5,369,282	663,700	330,977	648,371	(191)	535,237
23	5,204	4,750,487	1,410,502	9.70	3,392,817	794,942	101,420	(154,089)	231,092	(463,519)
24	1,941	10,912,440	693,213	24.10	10,219,230	1,459,141	454,000	585,093	0	305,503
25	14,212	13,749,384	1,945,754	15.28	9,282,367	48,415	1,326	812,244	(31,417)	723,523
26	10,985	44,019,848	1,874,066	12.15	9,784,701	834,732	428,491	2,150,028	0	3,898,710
27	3,384	5,705,483	758,605	18.63	498,269	326,456	5,617	152,821	0	227,909
28	576	1,075,455	186,310	6.50	394,233	34,283		55,321	0	35,881
29	1,811	6,995,075	613,935	9.20	1,267,073	110,185	99,015	139,091	0	(173,214)
30	9,091	9,501,876	1,445,630	14.49	0.00	0.00	0.00	54,677	31,464	59,953
31	2,966	2,968,987	597,093	13.00	3,492,093	665,160	276,651	640,193	0	51,580
32	1,941	2,107,287	793,691	10.00	995,179	639,240	73,206	(214,396)	0	(145,558)
33	3,185	4,046,670	1,714,560	21.81	3,521,025	500,000	120,982	(90,149)	(96,837)	(159,121)
34	3,652	2,117,240	1,349,686	13.75	4,402,844	772,564	342,689	751,159	432	365,678
35	713	5,143,336	495,931	25.76	3,898,573	260,888	373,923	795,036	0	663,762
36	1,019	3,501,454	650,246	14.00	5,242,336	350,812	0.00	(17,229)	0	(185,137)
37	1,674	9,145,136	606,233	11.50	228,583	100,085	11,276	804,326	0	767,238
38	1,596	1,951,392	475,860	24.55	0.00	0.00	0.00	94,330	6,890	102,450
39	1,990	6,428,076	976,455	9.05	10,362,720	957,588	503,088	676,822	0	186,052
40	6,490	18,481,724	1,008,990	40.95	40,200,598	5,152,016	2,394,138	6,802,824	741,611	1,888,748
41	16	1,250,058	133,817	25.00	1,844,399	0.00	96,066	115,955	0	20,198
42	4,174	12,418,329	1,485,423	20.25	7,262,351.69	718,272	394,045.08	1,341,368	600,479	576,462
43	2,485	7,640,867	1,380,000	20.25	0.00	0	0.00	723,745	104,482	496,824
44	1,243	7,043,572	1,418,117	20.25	3,077,791.09	147,249	166,812	709,326	325,967	275,569
45	259	686,198	397,988	20.25	0.00	0	0	101,036	111,446	143,295
46	10,739	24,177,926	2,273,049	16.85	13,517,900	512,856	743,871	3,125,785	1,590,920	4,135,710
47	1,213	13,882,083	542,948	13.75	11,154,848	793,170	615,038	619,982	15	553,157
48	7,104	44,694,795	1,876,094	13.75	35,348,709	3,118,077	2,003,837	5,444,987	70,202	1,286,691
49	11,732	32,807,425	2,073,869	26.00	9,472,748	1,156,942	619,698	2,791,969	0	2,473,415
50	5,202	17,402,484	754,509	26.94	3,090,394	3,659,577	227,045	914,710	360,000	893,476
51	8,991	10,266,611	756,666	18.12	11,398,940	2,699,612	739,850	788,374	490,000	171,969
52	3,863	14,630,870	1,038,223	13.18	0	0	0	2,714,638	0	2,541,089
53	465	2,048,801	443,975	22.50	1,572,620	29,534	66,013	900,515	0	828,119
54	10,090	15,554,477	2,005,418	25.00	0	0	0	326,135	0	488,852
55	1,210	7,182,369	1,426,785	17.50	8,701,025	119,868	326,694	(285,768)	(60,184)	(329,492)
56	3,719	5,336,590	693,926	12.10	14,469	8,181	1,566	273,811	0	803,144
57	360	18,396,513	936,686	16.78	30,733,743	1,330,841	854,231	1,003,173	0	265,555
Total	277,583	761,131,545	73,625,156	15.59 13.75	419,772,607	57,852,590	20,074,002	61,646,358	13,796,445	61,262,980

2010

Study Area	2010 DSC		2010 TIER		Year 3 - Effect of corp eliminat on		Total Reg Revenues	Interstate Revenues	Interstate Support	SLC Revenues	Reciprocal Comp Revenues	Intrastate Switched Access Revenues	Intrastate Special Access Revenues	State Support	Local Revenues
	2010 DSC	2010 after NPRM	2010 TIER	2010 after NPRM	Year 3- impact on rs/mo	Year 3 - Effect of corp eliminat on HCS									
1	(1.31)	(2.68)	(5.46)	(13.00)	7.52	37%	4,801,894	1,146,882	1,485,071	495,871	0.00	1,004,326	3,142	0	666,603
2	0.29	(1.73)	0.88	(3.37)	17.71	48%	4,161,349	1,126,969	1,591,213	207,354	0.00	627,524	0	0	608,288
3	0.99	(0.64)	8.60	(3.02)	17.87	51%	5,958,941	1,072,934	2,109,888	347,821	0.00	1,160,287	3,113	0	1,264,897
4	(0.24)	(1.58)	0.29	(3.53)	34.29	41%	2,782,312	542,925	1,225,670	112,421	0.00	254,198	2,206	287,933	356,960
5	(0.64)	(1.73)	(1.44)	(8.60)	6.63	30%	2,965,569	622,389	701,692	220,690	0.00	242,296	2,487	0	1,176,015
6	2.39	(0.56)	11.70	(7.81)	11.97	44%	3,292,300	934,141	458,576	412,220	0.00	603,766	35,525	0	848,072
7	0.00	0.00	0.00	0.00	28.64	28%	3,338,704	615,423	1,464,849	130,522	0.00	745,409	120,700	0	261,799
8	1.02	0.25	3.72	1.21	33.79	21%	5,273,263	1,253,519	2,531,753	263,951	0.00	642,894	90,466	0	490,679
9	0.91	(0.10)	3.58	0.99	39.75	17%	5,674,699	2,217,596	2,397,439	193,348	0.00	383,199	91,460	0	391,657
10	0.67	(0.19)	(10.58)	(14.32)	23.36	17%	15,294,085	5,521,408	4,604,577	655,601	0.00	1,279,431	382,287	1,707,830	1,142,950
11	0.99	0.10	6.02	1.91	27.59	25%	9,994,673	3,090,418	4,058,884	439,475	0.00	228,772	46,318	464,502	1,666,304
12	0.42	0.19	4.88	2.27	15.47	17%	29,140,653	6,324,217	11,042,603	1,798,317	0.00	2,386,093	1,433,542	0	6,155,790
13	5.58	2.00	25.06	14.69	9.00	24%	45,263,308	10,265,756.35	11,026,412.00	4,165,466.98	0.00	3,588,565.40	529,744.38	5,233,069.24	10,454,293.98
14	0.79	0.31	19.47	17.72	21.07	16%	23,740,483	5,750,875	9,743,491	892,199	0.00	663,379	1,211,891	3,170,067	2,308,581
15	0.00	0.00	0.00	0.00	5.09	41%	1,138,875	100,664	591,075	40,322	0.00	63,434	40,233	150,659	152,487
16	0.38	(0.62)	2.27	0.00	22.00	37%	2,495,112	947,605	253,452	165,671	0.00	404,860	89,887	0	633,638
17	0.94	0.01	2.61	0.87	13.47	41%	1,822,090	186,096	728,387	146,582	0.00	232,222	88,869	21,071	418,863
18	0.14	(0.24)	1.41	(0.37)	59.39	10%	4,797,234	2,399,911	1,598,598	114,517	0.00	267,653	14,880	0	405,676
19	(1.84)	(8.30)	(1.66)	(8.11)	41.61	12%	3,315,947	1,878,442	496,839	96,348	0.00	79,541	35,542	379,660	349,574
20	0.00	0.00	0.00	0.00	7.05	23%	10,074,474	1,826,416	2,273,547	1,005,298	0.00	2,631,403	54,356	0	2,283,455
21	0.41	(0.16)	1.44	(0.17)	48.65	16%	10,832,477	5,148,280	3,086,011	306,733	0.00	217,450	0	1,283,397	790,606
22	0.65	0.06	2.62	0.84	19.56	27%	3,061,555	236,836	1,520,907	208,059	0.00	370,181	70,884	44,193	610,494
23	(0.17)	(0.90)	(1.29)	(7.74)	10.47	47%	4,977,750	1,435,164	555,895	411,356	0.00	412,323	8,569	1,042,328	1,112,113
24	0.31	(0.04)	1.67	0.23	28.11	26%	3,809,788	1,927,958	675,258	201,034	0.00	85,047	59,196	136,499	724,797
25	16.33	2.00	522.95	(14.47)	4.18	40%	4,671,860	753,370	1,115,752	473,600	0.00	587,653	461,736	0	1,279,749
26	1.70	(0.20)	10.10	4.50	18.21	18%	15,696,964	4,955,425	3,294,726	821,464	0.00	1,930,335	715,613	1,546,472	2,432,930
27	0.46	(0.98)	41.57	(43.75)	11.80	23%	3,567,505	2,250,412	0.00	335,836	0.00	46,599	99,266	0	1,025,346
28	1.61	(0.07)	0.00	0.00	8.38	16%	935,174	637,189	0.00	13,798	0.00	29,770	938	0	253,479
29	0.66	(2.54)	(0.75)	(7.53)	30.89	28%	3,567,505	2,167,729	533,523	38,186	0.00	111,147	17,469	0	699,452
30	0.00	0.00	0.00	0.00	11.19	34%	7,276,401	3,863,913	1,606,332	657,242	121,452	675,250	105,257	0	2,285,481
31	0.68	0.37	1.19	0.12	8.27	25%	3,037,055	843,454	111,665	232,906	0.00	538,081	61,559	52,988	1,196,403
32	(0.30)	(1.05)	(0.99)	(8.24)	22.79	57%	2,037,091	749,375	209,335	213,151	0.00	383,881	37,538	0	443,812
33	(0.15)	(1.52)	(1.12)	(8.19)	22.41	53%	4,996,820	2,983,175	1,961,694	219,251	0.00	512,084	365,089	38,133	1,132,928
34	0.67	(0.17)	2.07	(0.69)	21.56	59%	5,931,022	2,813,795	1,530,729	330,076	0.00	908,096	80,629	247,319	2,128,502
35	1.25	0.14	2.78	0.88	82.66	27%	3,060,743	1,267,108	1,144,347	65,756	0.00	38,526	6,707	302,221	236,078
36	(0.05)	(1.62)	0.00	0.00	45.16	40%	1,828,115	873,862	478,377	98,080	0.00	182,657	12,348	0	182,791
37	7.22	0.15	69.04	(0.77)	39.19	25%	3,651,669	249,258	2,043,548	163,426	0.00	118,652	24,332	161,677	890,777
38	0.00	0.00	0.00	0.00	11.59	51%	1,500,512	666,198	639,228	106,635	0.00	263,981	72,733	0	464,318
39	0.46	(0.01)	1.37	(0.01)	29.07	25%	5,077,565	2,810,851	1,000,291	130,969	0.00	407,283	0	360,036	368,136
40	0.90	0.74	2.10	1.58	15.94	13%	9,953,741	1,870,028	2,784,030	577,128	0.00	749,868	0	1,475,692	2,496,995
41	1.21	(1.28)	1.21	(1.28)	1246.18	14%	633,200	549,335	340,238	1,297	0.00	1,744	17,342	61,651	3,966
42	1.21	0.03	3.99	0.66	26.20	26%	8,995,976.91	2,651,058.00	2,194,150.00	0.00	0.00	231,893.68	57,011.58	2,576,241.90	1,285,621.75
43	0.00	0.00	0.00	0.00	34.45	37%	5,440,886.38	3,715,872.00	0.00	186,590.00	0.00	813,224.00	0.00	0.00	725,200.38
44	2.26	(0.39)	4.61	(0.37)	55.67	26%	5,698,321.57	1,673,616.00	945,433.00	90,055.00	0.00	145,386.89	10,872.72	2,490,280.80	342,677.16
45	0.00	0.00	0.00	0.00	116.41	47%	1,229,193.05	837,601.00	0.00	20,843.00	0.00	24,648.48	2,270.40	268,621.18	75,208.99
46	2.49	1.22	8.70	6.56	12.34	33%	13,430,181.18	5,689,359.00	0.00	0.00	0.00	700,989.99	133,813.09	4,043,778.33	2,862,240.77
47	0.44	(0.16)	1.90	0.53	57.90	17%	3,814,499.02	808,525.27	1,918,902.00	288,312.59	0.00	40,833.80	0.00	441,914.64	316010.72
48	1.06	0.58	1.68	0.44	29.04	14%	19,232,354.78	9,819,729.37	5,815,809.00	1,113,574.70	0.00	859,045.44	5,527.19	0.00	1,618,669.08
49	1.57	0.22	4.99	1.12	17.03	18%	16,435,870.69	4,743,621.31	3,508,809.00	956,761.27	0.00	1,225,907.00	1,436,884.94	0.00	4,563,887.17
50	0.24	(0.05)	6.52	1.56	18.05	13%	5,999,802	3,156,668.72	1,312,896.00	399,219.63	0.00	182,624.15	569,337.56	0.00	379,056.30
51	0.23	0.07	1.89	1.14	5.17	14%	6,588,075	1,972,066.07	0.00	762,997.61	0.00	675,108.49	336,620.00	0.00	2,841,282.57
52	0.00	0.00	0.00	0.00	19.20	14%	6,412,903	3,200,055.13	2,283,276.00	421,969.72	0.00	50,567.45	35,064.37	0.00	421,970.00
53	9.42	5.99	13.54	8.57	58.80	29%	1,460,354	1,064,267.65	234,745.00	0.00	0.00	62,162.09	0.00	37,684.00	61,495.21
54	0.00	0.00	0.00	0.00	6.49	22%	6,574,400	3,285,786.00	0.00	0.00	0.00	367,435.00	105,839.00	(36,058.00)	2,851,397.92
55	(0.64)	(2.44)	(0.19)	(2.66)	55.51	33%	2,948,942	1,461,350.61	117,604.00	83,217.50	0.00	623,091.99	2,378.20	347,382.12	313,917.55
56	28.09	(30.78)	513.73	147.41	12.86	23%	2,677,119	1,569,605.00	0.00	217,577.00	5,496.51	117,965.90	180,636.04	381.62	585,456.59
57	0.46	(0.98)	1.31	(2.36)	726.20	16%	4,062,162	1,934,828.36	2,035,652.00	63,725.00	0.00	3,820.15	6,089.95	0.00	18,047.00
Total	0.79	0.04	4.74	1.81	17.64	22%	396,431,517	134,461,311	105,383,178	22,114,821	126,949	32,180,566	9,376,200	28,337,624	72,057,875

Study Area	Intrastate MOUs	Intrastate Switched Access/Minute	Intrastate Switched Revenues @\$,0007	Intrastate Switched Revenue Lost due to \$.0007	Intrastate Switched Revenues @ rate	Revenue Lost due to mirroring I/S rate	Depreciation Expense	Composite Interstate Rate	EBITDA	2010 Debt/EBITDA	Debt/EBITDA post NPRM	EBITDA (co's w/debt)	EBITDA (co's w/debt) - post NPRM
1	17,373,001	0.0578	12,161	(992,165)	352,707	(651,619)	1,035,122	0.020302	612,650	4.61	96.63	612,650	29,237
2	10,251,809	0.0612	7,176	(620,348)	208,850	(418,674)	759,836	0.020372	890,932	3.24	11.10	890,932	259,904
3	17,576,674	0.0660	12,304	(1,147,983)	295,991	(864,296)	1,337,208	0.016840	2,045,499	1.19	2.23	2,045,499	1,088,340
4	6,285,565	0.0404	4,400	(249,798)	227,820	(26,378)	602,354	0.036245	649,005	5.10	125.08	649,005	26,439
5	3,780,946	0.0641	2,647	(239,649)	61,739	(180,557)	539,984	0.016329	492,781	4.06	7.72	492,781	259,154
6	917,193	0.6583	642	(603,124)	13,242	(590,524)	891,658	0.014437	1,256,447	0.25	0.49	1,256,447	648,309
7	5,100,202	0.1462	3,570	(741,839)	197,006	(548,403)	1,138,542	0.038627	1,839,961	0.00	0.00	0	0
8	3,067,678	0.2096	2,147	(640,747)	115,424	(527,469)	1,704,175	0.037626	3,156,389	2.69	3.90	3,156,389	2,174,734
9	2,571,430	0.1490	1,800	(381,399)	125,985	(257,215)	2,100,465	0.048994	3,633,743	2.56	3.68	3,633,743	2525112
10	15,887,449	0.0805	11,121	(1,268,310)	904,520	(374,911)	7,231,464	0.056933	1,757,172	6.23	(62.69)	1,757,172	(174715)
11	3,573,446	0.0640	2,501	(226,271)	224,863	(3,910)	2,298,978	0.062926	4,395,423	1.65	2.44	4,395,423	2965656
12	23,188,241	0.1029	16,232	(2,369,861)	1,407,248	(978,845)	9,059,857	0.060688	15,557,110	1.77	2.28	15,557,110	12085562
13	74,975,392	0.0479	52,483	(3,536,083)	2,705,412	(883,153)	17,182,081	0.036084	27,078,269	0.28	0.33	27,078,269	22982494
14	17,000,437	0.0390	11,900	(651,479)	663,379	0	8,699,687	0.099349	39,912,249	1.03	1.11	39,912,249	37109793
15	297,579	0.2132	208	(63,225)	6,506	(56,928)	477,484	0.021863	411,755	0.00	0.00	0	0
16	0	0.0000	0	(404,860)	404,860	0	920,085	0.037409	1,428,361	3.67	5.69	1,428,361	920098
17	1,927,054	0.1205	1,349	(230,873)	141,521	(90,701)	588,654	0.073439	1,025,169	3.06	4.27	1,025,169	734083
18	2,042,203	0.1291	1,430	(262,223)	75,188	(188,465)	1,190,958	0.036817	1,980,140	5.11	10.28	1,980,140	984577
19	1,855,405	0.0429	1,299	(78,242)	79,541	0	589,891	0.043375	437,022	6.80	(18.73)	437,022	(158601)
20	38,403,726	0.0685	26,883	(2,604,520)	407,003	(2,224,400)	1,787,359	0.010598	3,956,449	0.00	0.00	0	0
21	5,379,745	0.0404	3,766	(213,684)	217,450	0	3,508,136	0.053856	5,103,235	4.45	6.83	5,103,235	3322586
22	4,279,075	0.0865	2,995	(367,186)	254,922	(115,259)	1,110,026	0.059574	1,976,049	2.72	3.87	1,976,049	1388706
23	6,511,785	0.0633	4,558	(407,765)	244,882	(167,441)	1,601,323	0.037606	1,470,316	2.31	4.15	1,470,316	816596
24	1,673,059	0.0508	1,171	(83,876)	85,047	0	1,056,711	0.051441	1,816,214	5.63	8.80	1,816,214	1161501
25	10,455,855	0.0562	7,319	(580,334)	543,819	(43,834)	3,918,431	0.052011	4,611,863	2.01	2.38	4,611,863	3899242
26	0	0.0000	0	(1,930,335)	1,930,335	0	5,091,355	0.038573	9,418,556	1.04	1.39	9,418,556	7018178
27	619,997	0.0752	434	(46,165)	24,603	(21,996)	925,277	0.039683	1,158,803	0.43	0.73	1,158,803	679525
28	459,059	0.0649	321	(29,449)	28,820	(950)	259,850	0.062781	295,731	1.33	1.66	295,731	237843
29	1,525,098	0.0729	1,068	(110,079)	66,142	(45,005)	938,315	0.043369	864,116	1.47	6.57	864,116	192830
30	9,713,000	0.0695	6,799	(668,451)	238,075	(437,174)	2,228,299	0.024511	2,319,716	0.00	0.00	0	0
31	2,156,103	0.2496	1,509	(536,572)	45,998	(492,083)	602,879	0.021334	931,110	3.75	5.48	931,110	636823
32	1,896,098	0.2025	1,327	(382,554)	76,705	(307,176)	377,079	0.040454	304,727	3.27	(4.40)	304,727	(226165)
33	6,528,525	0.0784	4,570	(507,514)	261,369	(250,715)	927,208	0.040035	792,232	4.44	(54.88)	792,232	(64161)
34	4,036,763	0.2250	2,826	(905,270)	94,981	(813,115)	1,722,261	0.023529	2,431,060	1.81	2.96	2,431,060	1486013
35	568,444	0.0678	398	(38,128)	33,052	(5,474)	726,202	0.058145	1,763,887	2.21	3.69	1,763,887	1056625
36	2,420,073	0.0755	1,694	(180,963)	77,967	(104,690)	406,226	0.032217	221,089	23.71	(15.83)	221,089	(331161)
37	1,369,485	0.0866	959	(117,693)	17,717	(100,935)	1,015,157	0.012937	1,793,671	0.13	0.23	1,793,671	1006443
38	3,302,976	0.0799	2,312	(261,669)	76,864	(187,117)	312,295	0.023271	421,635	0.00	0.00	0	0
39	6,285,785	0.0648	4,400	(402,883)	407,283	0	1,172,751	0.092432	1,861,891	5.57	8.87	1,861,891	1167708
40	20,129,147	0.0373	14,090	(735,778)	749,868	0	14,118,730	0.044642	19,143,227	2.10	2.25	19,143,227	17902060
41	18,876	0.0924	13	(1,731)	1,125	(619)	148,472	0.059621	264,736	6.97	72.41	264,736	25470
42	17,994,582	0.0129	12,596	(219,297)	231,894	0	2,357,428	0.025936	3,928,414	1.85	2.78	3,928,414	2615985
43	9,824,907	0.0828	6,877	(806,347)	376,471	(436,753)	1,061,434	0.038318	1,662,740	0.00	0.00	0	0
44	7,742,917	0.0188	5,420	(139,967)	145,387	0	1,349,614	0.041344	2,117,963	1.45	2.39	2,117,963	1287564
45	1,257,210	0.0196	880	(23,768)	24,648	0	313,114	0.039664	567,855	0.00	0.00	0	0
46	47,378,419	0.0148	33,165	(667,825)	700,990	0	3,361,448	0.041355	9,831,949	1.37	1.64	9,831,949	8241599
47	1,351,696	0.0302	946	(39,888)	40,834	0	1,374,928	0.057255	2,543,138	4.39	6.56	2,543,138	1700296
48	10,510,956	0.0817	7,358	(851,688)	658,722	(200,324)	4,781,333	0.062670	8,142,063	4.34	6.24	8,142,063	5666059
49	14,371,238	0.0853	10,060	(1,215,847)	484,871	(741,036)	3,774,284	0.033739	6,867,397	1.38	2.12	6,867,397	4469444
50	3,362,059	0.0543	2,353	(180,271)	95,661	(86,963)	1,469,554	0.028453	2,950,076	1.05	1.69	2,950,076	1823597
51	11,017,895	0.0613	7,713	(667,396)	399,520	(275,589)	3,172,203	0.036261	4,574,022	2.49	2.84	4,574,022	4016712
52	2,522,459	0.0200	1,766	(48,802)	50,567	0	1,728,056	0.033339	4,269,145	0.00	0.00	0	0
53	853,479	0.0728	597	(61,565)	36,138	(26,024)	325,804	0.042342	1,219,936	1.29	1.76	1,219,936	891843
54	4,338,842	0.0847	3,037	(364,398)	134,504	(232,931)	2,263,637	0.031000	2,752,489	0.00	0.00	0	0
55	2,192,145	0.2842	1,535	(621,557)	205,698	(417,394)	532,779	0.093834	469,797	18.52	(25.88)	469,797	(336248)
56	2,006,148	0.0588	1,404	(116,562)	43,527	(74,439)	895,408	0.021697	1,700,119	0.01	0.01	1,700,119	1126314
57	98,305	0.0389	69	(3,751)	3,820	0	1,168,141	0.039332	2,287,927	13.43	(36.19)	2,287,927	(849276)
Total	472,227,635	0.0681	330,559	(31,850,007)	14,166,829	(18,013,737)	(27,389,937)	0.0415 0.0386	227,365,418	2.01	2.68	209,163,673	156,490,725

General

Study areas in analysis	57
Access Lines	277,583
Total Revenues	\$ 396,431,517
High Cost Support	\$ 167,031,136 42.13%
Intrastate Switched Access Revenues	\$ 32,180,566 8.12%

	Total \$	Per Line	Per Line/Month
Total High Cost Support	\$ 167,031,136	\$ 601.73	\$ 50.14
Local Revenues (with secondary features)	72,057,875	\$ 259.59	\$ 21.63
Local Revenues (with secondary features) + SLC			\$ 28.27
Average Residential rate (listed in tariff)			\$ 15.59
Median Residential rate (listed in tariff)			\$ 13.75
Corporate Operations Expense	\$ 73,625,156		
Corporate Operations Expense per line	\$ 265		

HCS short term proposals (used amounts from year 3)

	Pre NPRM	Post NPRM	Change		Impact on EU's/MO
			\$	%	
Corporate Expense Elimination	167,031,136	129,493,667	(37,537,469)	-22.47%	
LSS Phase Out	167,031,136	148,979,556	(18,051,580)	-10.81%	
Corp + LSS Phase Out	167,031,136	141,388,667	(25,642,469)	-15.35%	
HCLS 55/65 Change	167,031,136	156,389,028	(10,642,108)	-6.37%	
Safety Net	167,031,136	165,159,651	(1,871,485)	-1.12%	
\$3k HCS Limitation	167,031,136	164,488,377	(2,542,759)	-1.52%	
Impact of all short term USF proposals	167,031,136	108,264,990	(58,766,146)	-35.18%	\$ 17.64

HCS short term proposals (used amounts from year 3) Impact on Debt/Profitability

	Pre NPRM	Post NPRM	Change	
TIER	4.74	1.81	(2.93)	-61.77%
DSC	0.79	0.04	(0.75)	-95.33%
Debt/EBITDA	2.01	2.68	0.68	33.66%
Net Income	61,262,980	2,496,835	(58,766,146)	-95.92%
Return on Regulated Rate Base (Net Income/Rate Base)	8.05%	0.33%	-7.72%	-95.92%

Debt **\$ 419,772,607****ICC short term proposals**

Intrastate Switched Access Revenues	\$ 32,180,566
Intrastate Switched Minutes of Use	472,227,635
Average Intrastate per minute rate	\$ 0.0681

	Pre NPRM	Post NPRM	Change		Impact on EU's/MO
			\$	%	
Lost Revenue at \$.0007	32,180,566	330,559	(31,850,007)	-98.97%	\$ 9.56
Lost Revenue at Interstate rates	32,180,566	14,166,829	(18,013,737)	-55.98%	\$ 5.41

Total

	Pre NPRM	Post NPRM	Change		Impact on EU's/MO
			\$	%	
Net Income - HCS proposals & \$.007 state rates	61,262,980	(29,353,172)	(90,616,152)	-147.91%	\$ 27.20
Net Income - HCS proposals & \$.03 Interstate Rates	61,262,980	(15,516,902)	(76,779,882)	-125.33%	\$ 23.05
Return on Rate Base - HCS proposals & \$.007 state rates	8.05%	-3.86%	-11.91%	-147.91%	
Return on Rate Base - HCS proposals & \$.03 Interstate Rates	8.05%	-2.04%	-10.09%	-125.33%	
Impact on End Users - HCS proposals & \$.007 state rates	\$ 21.63	\$ 48.84	27.20	125.75%	
Impact on End Users - HCS proposals & \$.03 Interstate Rates	\$ 21.63	\$ 44.68	23.05	106.55%	